

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 14522 01 OF 02 080029Z

73

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02 INT-08

FPC-01 SCI-06 AGR-20 STR-08 CEA-02 SS-20 NSC-10 L-03

H-03 DRC-01 /200 W

----- 060794

R 070903Z NOV 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7996

INFO AMEMBASSY BONN

AMEMBASSY MOSCOW

AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 14522

E.O. 11652: GDS

TAGS: ENRG, ETRD, PFOR, JA, UR

SUBJ: SIBERIAN DEVELOPMENT: WHERE FROM HERE?

SUMMARY: VISIT OF PM TANAKA TO MOSCOW DID NOT SUCCEED IN ACCELERATING LAGGING PACE OF JAPAN-SOVIET CONSIDERATION OF FIVE SIBERIAN DEVELOPMENT PROJECTS, THREE OF WHICH INVOLVE US FIRMS; HOWEVER, TANAKA HAS TOLD JAPANESE BUSINESS LEADERS THAT MORE SOLID BASIS FOR NEGOTIATIONS HAS RESULTED. GOJ NOW PRESSING SOVIETS TO FOLLOW THROUGH ON PROMISE TO NAME HIGH LEVEL COORDINATOR FOR PROJECTS. OUTLOOK FOR TYUMEN PIPELINE IS CLOUDED BY DIFFICULT ISSUES INVOLVING NORTHERN TERRITORIES AND QUANTITY OF OIL FOR JAPAN. JAPANESE ARE HOPEFUL ABOUT TALKS IN US RE YAKUTSK GAS, BUT ANXIOUS THAT EXPLORATION AND DEVELOPMENT PROJECTS BE TREATED ENTIRELY SEPARATELY. SOVIET GOAL IS FOR MEETING TO ANNOUNCE AGREEMENT ON ALL FIVE PROJECTS BY FEBRUARY. HOWEVER, SEVERAL FACTORS, INCLUDING JAPANESE HESITANCY ABOUT US POSITION, MAY SLOW DOWN PACE OF NEGOTIA-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 14522 01 OF 02 080029Z

TIONS. END SUMMARY.

1. DISCUSSIONS ON FIVE SIBERIAN DEVELOPMENT PROJECTS BETWEEN JAPAN AND USSR (TYUMEN PIPELINE PROJECT, YAKUTSK NATURAL GAS PROJECT, SAKHALIN OIL AND GAS EXPLORATION, YAKTUSK COAL EXPLOITATION, AND THE SECOND TIMBER DEVELOPMENT PROJECT) HAVE BEEN UNDERWAY FOR VARYING LENGTHS OF TIME UP TO TWO YEARS. TALKS OVER THIS PERIOD HAVE BEEN CONFUSED AND DELAYED BY VARIETY OF FACTORS ON BOTH SIDES, INCLUDING JAPANESE CONCERN ABOUT EFFECT OF PROJECTS ON ITS RELATIONS WITH PRC, GOJ'S LINKING OF PROJECTS TO POLITICAL ISSUES, APPARENT LACK OF FOCUS BY SOVIET DECISION MAKERS ON PROJECTS AND DIFFERENCE OF OPINION OVER WHETHER GOJ GUARANTY OF BANK CREDITS OR DETAILED NEGOTIATIONS WOULD COME FIRST. WITH EXCEPTION OF TIMBER PROJECT, NONE OF TALKS HAS REACHED STAGE OF DETAILED NEGOTIATIONS.

2. MANY JAPANESE BUSINESSMEN HAD HOPED THAT PM TANAKA'S SUMMIT TALKS IN MOSCOW WOULD GIVE NEW IMPETUS TO NEGOTIATIONS. TANAKA REPORTED TO JAPANESE BUSINESS LEADERS ON HIS RETURN, HOWEVER, THAT HE HAD FOUND SOVIET LEADERS, PARTICULARLY BREZHNEV, ILL INFORMED TO POINT THAT HE HARDLY AWARE OF EXISTENCE OF TALKS BETWEEN TWO COUNTRIES ON JOINT DEVELOPMENT OF SIBERIAN RESOURCES. WHEN SOVIET LEADERS TOLD TANAKA THAT JAPAN WAS TO BLAME FOR DELAYS, TANAKA AGREED TO UNIFY JAPANESE EFFORTS AND PLACE RESPONSIBILITY FOR ALL FURTHER CONTACTS WITH SOVIETS ON SIBERIAN DEVELOPMENT IN HANDS OF KEIDANREN (FEDERATION OF ECONOMIC ORGANIZATIONS), WHERE IT HAD BEEN IN ANY CASE. TANAKA COUNTERED, HOWEVER, THAT SOVIETS MUST TAKE SIMILAR ACTION TO CONCENTRATE DECISION MAKING ON PROJECTS. SOVIETS AGREED THAT THEY WOULD DESIGNATE A HIGH LEVEL COORDINATOR (RUMORED TO BE DEPUTY PM NOVIKOV) WHO WOULD HAVE RESPONSIBILITY OVER ALL PROJECTS. TANAKA TOLD BUSINESS LEADERS THAT HE THOUGHT THAT HIS TALKS WITH SOVIETS HAD IMPROVED GENERAL CLIMATE FOR PROJECTS, AND THAT DESIGNATION OF A DECISION MAKER WOULD RESULT IN SMOOTHER NEGOTIATIONS IN FUTURE.

3. DURING PERIOD AFTER MOSCOW SUMMIT, TANAKA HAS HELD NUMBER OF SESSIONS WITH BUSINESS LEADERS INVOLVED IN PROJECTS. ACCORDING TO A MITI SOURCE, PURPOSE HAS BEEN TO DEMONSTRATE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 14522 01 OF 02 080029Z

CONTINUED INTEREST OF GOJ IN PROCEEDING WITH NEGOTIATIONS ON PROJECTS. GOJ ATTITUDE, HOWEVER, REMAINS THAT PRIVATE NEGOTIATIONS MUST BE CONCLUDED BEFORE GOJ WILL GUARANTEE EXTENSION OF NECESSARY CREDITS.

4. EMBOFF RECENTLY DISCUSSED STATUS OF FIVE PROJECTS WITH FONOFF, MITI, BUSINESS AND KEIDANREN OFFICIALS, AS WELL AS SOVIET TRADE REPRESENTATIVE. FOLLOWING IS ESSENCE OF THEIR

COMMENTS ON CURRENT STATUS OF PROJECTS.

A. TYUMEN OIL PIPELINE - THIS INVOLVES THE MOST CONTENT-
IOUS ISSUES BECAUSE OF (I) APPARENT GOJ INTERJECTION OF
NORTHERN TERRITORIES QUESTION AND (II) DISPUTE OVER QUANTITIES
OF OIL TO BE EXPORTED. DESPITE PUBLIC AVOWALS POLITICAL
ISSUES NOT INVOLVED GOJ APPEARS TO BE UNDECIDED AT PRESENT
AS TO WHETHER TO TIE POLITICAL AND ECONOMIC ISSUES CLOSELY
OR TO COUNT ON THE "GOODWILL" GENERATED BY AGREEMENT ON
PROJECT TO IMPROVE POLITICAL ATMOSPHERE SURROUNDING NORTHERN
TERRITORIES QUESTION. ON QUANTITY ISSUE, USSR CONTINUES TO
INSIST THAT IT CAN SUPPLY OIL THROUGH PIPELINE ONLY IN
QUANTITIES "UP TO" 25 MILLION TONS PER YEAR. MITI, HOWEVER,
IS NOT CONVINCED THAT THIS IS AN UNALTERABLE POSITION.
ACCORDING MITI OFFICIAL, GOJ WILL NOT ACCEPT LESS THAN
GUARANTEE OF 25 MILLION TONS OF OIL PER YEAR WHEN FULL
PRODUCTION REACHED. MITI HOPES, AND WILL PRESS HARD, FOR
GRADUAL EXPANSION OF OIL EXPORTS FROM 25 MILLION TONS IN
1980 TO ANNUAL LEVEL OF 40 MILLION TONS AT PROEJCTED CON-
CLUSION OF AGREEMENT IN 1998. SOVIETS EXPECT THAT JAPANESE
WILL SOON MAKE COUNTERPROPOSAL WHICH WILL BE FLEXIBLE
ENOUGH ON QUANTITY ISSUE TO ALLOW NEGOTIATIONS TO BEGIN IN
MOSCOW. HOWEVER, FONOFF HAS ASKED BUSINESS LEADERS NOT TO
OPEN NE
E E E E E E E

ADP000
CONFIDENTIAL

PAGE 01 TOKYO 14522 02 OF 02 080018Z

73
ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02 INT-08

FPC-01 SCI-06 AGR-20 STR-08 CEA-02 SS-20 NSC-10 L-03

H-03 DRC-01 /200 W
----- 060691

R 070903Z NOV 73
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 7997
INFO AMEMBASSY BONN
AMEMBASSY MOSCOW
AMCONSUL HONG KONG
USLO PEKING

S O N F I D E N T I A L SECTION 2 OF 2 TOKYO 14522

B. YAKUTSK NATURAL GAS PROJECT - JAPANESE ARE ENCOURAGED BY FAVORABLE REPORTS ON PROGRESS OF TALKS BETWEEN SOVIET DEPUTY MINISTER OF FOREIGN TRADE OSIPOV AND USG AND PRIVATE OFFICIALS. AT SAME TIME, HOWEVER, SOME JAPANESE VERY CONCERNED BY INDICATIONS FROM TALKS IN US THAT YAKUTSK EXPLORATION PROJECT WILL BECOME INEXTRICABLY INVOLVED WITH ISSUES RELATING TO FULL DEVELOPMENT PROJECT. JAPANESE STRONGLY BELIEVE THAT EXTENT OF YAKUTSK GAS RESERVES SHOULD BE DETERMINED BEFORE DISCUSSIONS OF PRICE AND INVESTMENT, AND THEY HAVE REJECTED SEVERAL INVITATIONS FOR TALKS WITH EL PASO GAS BECAUSE OF THIS CONCERN. NONETHELESS, ON NOVEMBER 2, TOKYO GAS WITH SOME HESITATION, ACCEPTED EL PASO REQUEST FOR SENIOR LEVEL TALKS BEGINNING DECEMBER 3 IN HOUSTON. HIROSHI ANZAI, BOARD CHAIRMAN OF TOKYO GAS, WILL HEAD JAPANESE TEAM, WHICH MAY WELL ALSO WISH VISIT WASHINGTON. FOLLOWING THIS VISIT, JAPANESE EXIMBANK PRESIDENT SUMITA IS CONSIDERING FURTHER TALKS AT US EXIM BANK. THEN, ACCORDING TO SCENARIO, CONFIDENTIAL
CONFIDENTIAL

PAGE 02 TOKYO 14522 02 OF 02 080018Z

ANZAI WOULD GO TO MOSCOW FOR FINAL BILATERAL TALKS IN PREPARATION FOR FULL TRIPARTITE NEGOTIATION EXPLORATION

STAGE OF YAKUTSK PROJECT.

C. YAKUTSK COAL - THIS PROJECT MAY WELL TURN OUT TO BE FIRST MAJOR SIBERIAN PROJECT (OF THIS GROUP) WHICH IS ACTUALLY SIGNED. JAPANESE SIDE GENERALLY ACCEPTS SOVIET REQUEST FOR \$585 MILLION IN CREDITS (THOUGH TERMS NOT SETTLED). CREDITS WOULD BE FOR EQUIPMENT TO DEVELOP SOVIET COAL FIELDS IN ORDER TO INCREASE SOVIET COAL EXPORTS TO JAPAN BY ABOUT 5 MILLION TONS PER YEAR. PLANS APPEAR QUITE FIRM FOR JAPANESE TEAM HEADED BY PRESIDENT OF NIPPON KOKAN CO. AND V.P. OF NIPPON STEEL TO VISIT MOSCOW BEGINNING NOVEMBER 12.

D. SAKHALIN OIL AND GAS PROJECT - THIS PROJECT HAS BEEN VIRTUALLY DORMANT FOR PAST YEAR. RECENTLY, HOWEVER, GULF OIL SUBMITTED ITS OWN SEPARATE PROPOSAL TO SOVIETS FOR EXPLORATION OF SAKHALIN ISLAND CONTINENTAL SHELF AREA. (EMB ALSO UNDERSTANDS THAT ANOTHER US MAJOR, PROBABLY MOBIL, HAS DISCUSSED SIMILAR PROJECT WITH SOVIETS.) GULF, WHICH IN PAST HAS DISCUSSED THIS PROJECT AS COOPERATIVE VENTURE WITH JAPAN, HAS INFORMED JAPANESE SIDE OF ITS UNILATERAL APPROACH, BUT STRESSED THAT IT STILL WILLING TO GO AHEAD WITH JAPAN, IF JAPANESE CAN MOVE FASTER. INEVITABLY, GULF ACTION EXCITED JAPANESE COMPETITIVE INSTINCTS, AND THERE IS NOW ACTIVE CONSIDERATION OF NEW JOINT PROPOSAL TO SOVIETS AND OF JAPANESE TEAM VISIT TO MOSCOW.

E. KAWAI-SEDOV (K-S) II TIMBER PROJECT. IN RETURN FOR CREDITS EXTENDED, JAPAN WILL HAVE PURCHASED 8 MILLION CUBIC METERS OF TIMBER FROM SOVIETS BETWEEN 1968 AND END OF THIS YEAR UNDER TERMS OF KS I PROJECT. IN ORDER TO RENEW PROJECT

FOR ANOTHER FIVE YEARS SOVIETS HAVE ASKED FOR AN ADDITIONAL \$500 MILLION CREDITS AND A TRIPLING OF TIMBER PRICE UNDER KS I QUANTITY UNDER TERMS K-S II EXPECTED TO BE 15 MILLION CUBIC METERS. FURTHER NEGOTIATIONS, CENTERING ON PRICE ISSUE, ARE SCHEDULED TO BE HELD IN MOSCOW IN LATER NOVEMBER.

5. SOVIET GRAND SCHEME AT PRESENT TIME, ACCORDING TO SOVIET TRADE REP RUBEN PETROSIAN, IS TO SCHEDULE SEPARATE NEGOTIATIONS ON ALL FIVE SIBERIAN PROJECTS UNDER CONSIDERATION
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 TOKYO 14522 02 OF 02 080018Z

WITH JAPAN BEFORE END OF JANUARY. ABOUT FEBRUARY, LONG POSTPONED SIXTH SESSION OF JAPAN-SOVIET ECONOMIC COOPERATION COMMITTEE WOULD BE HELD TO ANNOUNCE GENERAL AGREEMENTS ON ALL OF THE PROJECTS. IT SEEMS LIKELY THAT JAPAN-SOVIET NEGOTIATIONS ON FOUR OF FIVE PROJECTS WILL BE HELD DURING THIS PERIOD. AS NOTED ABOVE, HOWEVER, OUTLOOK FOR NEGOTIATIONS ON TYUMEN PROJECT SOMEWHAT MURKY.

6. COMMENT: US FIRMS ARE ACTIVELY INVOLVED IN THREE OF THE FIVE SIBERIAN PROJECTS. PRINCIPAL REASONS FOR THIS ARE GO
E E E E E E E

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, EXPLORATION, OIL FIELDS, JOINT VENTURES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO14522
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731148/aaaabjct.tel
Line Count: 242
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by kelleyw0>; RELEASED <25-Jul-2001 by kelleyw0>; APPROVED <12-Dec-2001 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SIBERIAN DEVELOPMENT: WHERE FROM HERE? SUMMARY: VISIT OF PM TANAKA TO MOSCOW DID NOT SUCCEED IN
TAGS: ENRG, ETRD, PFOR, JA, UR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005